

Letter of Credit Payment Process: Overview

Purpose

This document describes letter of credit sponsored program accounts, describes the letter of credit payment process, provides general information on letter of credit sponsors, and describes how the accounts are administered.

Background

As expenditures are made on a sponsored program or agency account, a deficit accumulates until payment is requested to cover the expenses. Some federal sponsors fund multiple projects with accounts that have very high expenditure amounts.

To reduce administrative burden, these sponsors have entered into a letter of credit payment arrangement with the Research Foundation (RF).

Letter of Credit Payments

A letter of credit payment is a single payment made to cover award expenditure activity for all of the sponsored programs administered by the RF that are funded by that particular sponsor. Letter of credit payments are processed through a Letter of Credit arrangement and are distributed to individual sponsored program accounts.

Letter of Credit

A Letter of Credit is a payment credit line issued by the sponsor. Under a Letter of Credit arrangement, the RF is authorized to calculate and request a bulk payment amount to cover expenses that have been incurred for all of the sponsored program accounts funded by that sponsor for a particular period of time.

The amount requested is determined based on expenses incurred on the accounts and a cash balance analysis.

Letter of Credit Payment Process

The following table describes the letter of credit payment process:

Stage	Description
1	A payment amount is calculated based on actual expenditures incurred and cash balances remaining on all of the accounts for projects funded by the sponsor.
2	The payment request amount is submitted to the sponsor.
3	If the amount is approved, the sponsor uses direct deposit to forward a payment of the requested amount to the corporate checking account.

Reconciling Expenditures

Central office completes the required 272 Federal Cash Transactions Reports at the end of each month or quarter for each applicable letter of credit sponsor. The reports reconcile expenditures made against the budgets in the letter of credit sponsored program accounts with the sponsor payments made during that monthly or quarterly reporting period.

Financial Reporting

Each sponsor has individual requirements for financial reporting.

Change History

- **March 9, 2004** - Converted to BC-A-200 to HTML and updated with current information.

Feedback

Was this document clear and easy to follow? Please send your feedback to webfeedback@rfsuny.org.

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